Joint Financial Management Improvement Program

JFMIP NEWS

A Newsletter for Government Financial Managers

Summer 2003, Vol. 15. No. 2

Contents

New OMB Leaders Confirmed

New OMB Director Confirmed

On June 26, 2003, the U.S. Senate confirmed Joshua B. Bolten as the 35th Director of the Office of Management and Budget (OMB). As the OMB Director, Mr. Bolten oversees the preparation of the federal budget and help supervise its administration in Executive Branch agencies. He will work closely with Congress and Federal departments to successfully implement the President's agenda, from growing the economy and creating jobs to ensuring a strong national defense and a secure homeland. Mr. Bolten will also chair the Joint Financial Management Improvement Program (JFMIP) Principals. The other JFMIP Principals are Office of Personnel Management Director Kay Coles James, Secretary of the Treasury John W. Snow, and Comptroller General David M. Walker.

"I believe in the President's program, as reflected in his Budget, is very well designed to meet the nation's greatest challenges: strengthening our economy; securing our homeland; and winning the war on terror. Equally important is the other half

Continued on Page 8

Joshua B. Bolten, Director
Office of Management and Budget

GAO Releases New Edition of the Yellow Book

On June 25, 2003, David M. Walker, Comptroller General of the United States and head of the U.S. General Accounting office (GAO), announced the release of a new edition of Government Auditing Standards, commonly referred to as the Yellow Book. Government auditing is a key element in fulfilling the government's duty to be accountable to the people. Auditing allows those parties and other stakeholders to have confidence in the reported information on the results of programs or operations, as well as in the related systems of internal control. Government auditing standards provide a framework to auditors so that their work can lead to improved government management, decision-making, oversight and accountability. They also provide guidance for ensuring that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work.

This is the fourth revision of the overall standards since they were first issued in 1972. This revision of the standards supersedes the 1994 revision. This revision makes changes to these standards in the following three areas:

Continued on Page 17

A Joint Perspective

The summer of 2003 marks major milestones in JFMIP activities on behalf of the federal community. I would like to highlight a few which will have lasting impact.

Karen Cleary Alderman
Executive Director, JFMIP

First, I would like to acknowledge and thank Mitchell E. Daniels for his leadership as a JFMIP Principal. Mr. Daniels succeeded David M. Walker as Chair of the JFMIP Principals on October 1, 2002 and chaired the May 7, 2003 JFMIP Principals meeting. It was the occasion for the Principals to sign the FASAB memorandum of understanding that expanded FASAB to ten members. The tenth member will be from the Congressional Budget Office. In addition, the Principals discussed potential areas for focus in 2003, noting the 10-year anniversary of the Government Performance and Results Act and the 25-year anniversary of the Inspectors General Act. Anniversaries are always a good time to assess whether what was intended has been achieved and to determine if course corrections are in order. An area of continuing discussion is how social insurance commitments should be reported in government financial statements. FASAB's pending reconsideration of the Statement 17, Social Insurance, reflects an evolution in how Medicare and Social Security "promises" are viewed by preparers, auditors, and users of the financial statements.

Second, I would like to acknowledge the terrific job of the JFMIP core financial management system test team in updating core financial system requirements and testing and qualifying core financial system software. This effort is led by JFMIP staff members Steve Balsam, Steve Fisher and Chuck Calhoun (on detail from NASA) and supported by an outstanding team from the Logistics Management Institute. The 2003 test is significantly more robust and will result in better software for federal agencies.

The JFMIP process has been to organize and present federal requirements in a comprehensive and transparent way, and to assure that vendor products support functional requirements through a formal testing process. While many federal financial management functions are common to commercial system functions, certain needs, such as funds control by appropriation, are atypical. The JFMIP testing process is designed to ensure that the vendor software meets the minimum federal standards of funds control, receivables management, payment management, U. S. standard general ledger management, cost management, and reporting requirements.

Ensuring that the commercial market place understands and incorporates these "must have" capabilities into products used by federal agencies has been a continuous challenge. JFMIP program management responsibility for functional testing and certification of core financial system software began in 1999. Certificates were issued for 3 years based on the test of 1999 core financial system requirements. For the 2003 test, JFMIP applied all we learned, to do it better. Functional system requirements issued in 2001 were significantly clarified and expanded with specific attention to common "gaps" identified to us by agencies using software that had passed the 1999 test. In some cases the word "automatically" was applied to the processes to ensure that agencies were not burdened with manual intervention for high volume transactions. We knew that the 2003 test "raised the bar" from the 1999 test and all vendors had to improve functionality to pass. The test was published in September of 2002 and the expiration date for certificates based on the 1999 test was extended to June 30, 2003. Vendors all received the same amount of time to prepare. As of June 30, three vendor software packages have passed. Test results are being posted to the JFMIP website as they are finalized. We encourage all stakeholders to attend the JFMIP open house on the topic that will be held on July 22, 2003.

It has been said that meeting requirements is like walking on water—easier done when frozen. The fact of the matter is that federal requirements continue to evolve. The JFMIP process establishes incentives for vendors to incorporate those changes into their products when federal agencies need them. As we wrap up the 2003 JFMIP test process, we will be surveying the federal community to identify the new mandatory requirements that agencies are expected to meet. At a minimum, we know that agencies are expected to populate vendor information from the Central Contractor Registration (CCR) system starting in FY 2004. Testing the capability of core financial system software to meet this need is a future effort. New requirements will be incrementally tested.

Third, I would like to thank the Private Sector Council and the CFO Council E-Government/Systems Committee for partnering with JFMIP on June 12, 2003 to hold the "System Implementation Success Factors Using Commercial-Off-the Shelf (COTS) Financial Systems." Underlying this effort is the need to address the expectations gap of federal agencies that increasingly rely on COTS applications to meet financial management needs. Also, we need to address a concern that the JFMIP testing process results in "false positives" by federal agencies regarding the management challenges they face in transitioning to new systems. There is a perception that system replacement efforts using COTS are costing more than expected while not meeting performance expectations. Exceptional private sector experts and senior leaders from across the government participated. The forum's overall objective was to conduct a dialogue among private sector experts and Federal CFOs and other executive stakeholders to address underlying questions: Is a COTS based system strategy appropriate? What are the critical management practices? What is the appropriate role for requirements and testing? How do you measure success in implementing systems?

The highlights will be posted to: www.jfmip.gov. A few observations and notable quotes are:

Continued on Next Page

Continued from Previous Page

· The impact of the accelerated rate of technology change has yet to be digested. One consequence is that the "good old days of build (software) to suit" are a thing of the past.

· COTS support the vendor's assessment of "best practices". This typically means practices in the private sector. Software tools have a lot more power than predecessors and are continuing to improve. However, if government requires other essential processes or practices, be prepared to enforce that "niche." Also, the scale and complexity of federal needs should be clearly and consistently communicated.

· Organizational leadership and experienced and talented project management is key. Continuous sponsorship from senior management, including senior career employees, is critically important to sustaining support through the duration of a systems implementation, which typically lasts for more than two years.

· Managing expectations of users is also key. One analogy, which fits well with the purchase of COTS applications, is the warning given to consumers: "batteries not included" and "extensive assembly required."

· COTS software is not a "silver" bullet. However, like a bullet, it is unlikely to hit the mark unless the target is identified, it is loaded properly, and the user is properly trained on how to use it.

· Change management drives project cost and makes or breaks the outcome. Focusing on technology rather than the people and business processes can lead to failure.

The forum reinforced the need for clearly defining common requirements and applying testing to help insure capabilities exist. It also underscored that these strategies address only some of critical management competencies necessary for successfully employing modern system tools to support federal financial and performance management needs. Expectations must be realistic. Recognition of the broader set of critical management considerations will, perhaps, energize joint efforts to address them.

OMB Outlines Management Reforms Desired by July 1, 2004

Clay Johnson, Deputy Director for Management, Office of Management and Budget in a recent speech, outlined the management reforms that he wants to see by July 1, 2004 deadline. Most of these goals are taken from assessments of where agencies should be "proud to be" that were written by the "owners" of the five government-wide initiatives under the President's Management Agenda. These areas are: strategic management of human capital, improved financial performance, competitive sourcing, e-government, and integration of budget and performance.

Strategic Management of Human Capital
- All agencies should have human capital plans and succession plans
- A new performance appraisal system should be evaluating Senior Executive Service members.

Improved Financial Performance
- Fifty percent of the agencies should complete their financial statement audits by November 15, 2003.
- All CFO Act agencies, except for the Department of Defense, should have clean audit opinions on their financial statements.

Continued on Page 10

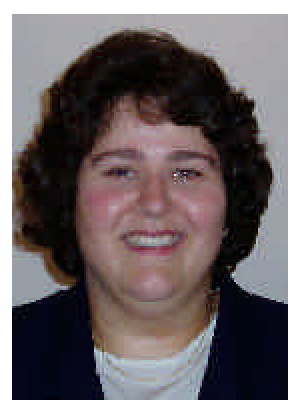
Developmental Assignments at JFMIP

The staff welcomes two individuals who selected JFMIP as part of their rotational development assignments for the Executive Potential Program or Executive Leadership Program, government-wide programs to develop future leaders sponsored by the Graduate School, U.S. Department of Agriculture (USDA).

Kelvin Coleman is the Special Assistant for Programs and Planning to the Associate Administrator for Commercial Space Transportation (AST) at the Federal Aviation Administration (FAA). Kelvin is responsible for developing AST's strategic and annual performance plans, and implementing projects supporting execution of the FAA's regulatory oversight responsibilities for U.S. commercial space launch and reentry activities. Additionally, Kelvin serves as an advisor to AST on policy related matters associated with public safety and commercial space launch industry promotion. Prior to joining the FAA in 1996, Kelvin served as a project engineer at the Naval Air Systems Command where he worked on a variety of weapon system acquisition programs. Kelvin earned a Master of Business Administration degree from Marymount University (Arlington, VA) and a Bachelor of Science degree in Electronics and Computer Engineering from George Mason University in Fairfax, Virginia. Kelvin is a current participant in the Executive Potential Program and began his 60-day assignment at JFMIP on June 16. He will be working on a variety of projects, including the update of the framework of federal financial systems.


Kelvin Coleman

Heather I. Keister is an auditor with the Naval Audit Service located at the Washington Navy Yard. She has worked on various audits for the Navy and Marine Corps at sites throughout the country. She received both a


Heather Keister

Continued on Page 9

FASAB *update*
FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Recent Documents Issued

The following FASAB documents were issued during April-June 2003:

- Interpretation Number 6, Accounting for Imputed Intra-departmental Cost: An Interpretation of SFFAS No. 4
- Statement of Federal Financial Accounting Standard 23, Eliminating The Category National Defense Property, Plant And Equipment
- Technical Bulletin 2003-1, Certain Questions and Answers Related to the Homeland Security Act of 2002
- Exposure Draft of a proposed standard entitled Accounting for Fiduciary Activities. Comments on the exposure draft are due by July 31.

Projects

1. Homeland Security Act of 2002

Based on inquiries to FASAB staff regarding application of (1) the change in entity provisions of Accounting Principles Board Opinion 20 and/or (2) the discontinued operations provisions of Financial Accounting Standards 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to entities affected by the Homeland Security Act of 2003, staff developed a proposed technical bulletin. The bulletin was issued for comment and comments were considered at the April board meeting. Comments generally supported the proposal. The Technical Bulletin 2003-1, Certain Questions and Answers Related to the Homeland Security Act of 2002 was issued June 13, 2003.

2. Stewardship Responsibilities

Statement of Federal Financial Accounting Standards 25, Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment was approved by the Board and submitted to the sponsors for the 90-day review. Issuance will be July 17th absent an objection. The standard addresses stewardship responsibilities information, which includes Risk Assumed information required by SFFAS 5, the Current Services Assessment (CSA) required by SFFAS 8, and Social Insurance information required by SFFAS 17. This information is currently designated Required Supplementary Stewardship Information (RSSI). Pursuant to this standard, Risk Assumed information will become required supplementary information (RSI), and the CSA will not be required after FY 2002. For FY 2005 the Statement of Social insurance will become a basic financial statement, essential for fair presentation in conformity with generally accepted accounting principles (GAAP). Other Social Insurance information required by SFFAS 17 will be presented as RSI rather than as RSSI, except to the extent that the preparer elects to include some or all of that information in notes that are presented as an integral part of the basic financial statements. For more information, contact: Robert Bramlett, 202 512-7355, bramlettr@fasab.gov

3. Natural Resources

The objective of this project is to develop an accounting standard for the oil & gas natural resources owned by or under the stewardship of the Federal Government. Specifically, to determine under what conditions a value and a quantity should be measured and reported for oil & gas, how revenue and the related costs should be recognized and measured, and what disclosures or supplemental information are essential to meeting the reporting objectives. During the April Board meeting, the FASAB staff presented a draft skeletal exposure draft (ED) on the proposed oil and gas standards for discussion by the Board. The staff will continue their research on current reporting practices for oil and gas information, as well as options for measuring the oil & gas resources. Please contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov or Richard Wascak, 202 512-7363, wascakr@fasab.gov

4. Heritage Assets and Stewardship Land

As part of the Board's overall project to review and re-categorize the stewardship elements in the Federal financial model, this particular project addresses appropriate categorization of heritage assets and stewardship land. At the April meeting, staff provided an overview of the staff prepared working Exposure Draft Heritage Assets and Stewardship Land: Reclassification from Required Supplementary Stewardship Information. The working ED proposes that heritage assets and stewardship land information be reported as basic information, except for condition reporting, which is currently, and should remain, Required Supplementary Information. The working ED provides for a line item to be shown on the balance sheet for significant heritage assets and stewardship land, but no financial amount should be shown. Instead, the line item would reference a note disclosure that would provide the current minimum reporting requirements consistent with those in SFFAS No. 8. The Board agreed with the proposal and requested staff to work toward finalizing the exposure draft for issuance. For more information, contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

5. Dedicated Collections (or Earmarked Funds)

The objective of this project is to ensure that financial reporting clearly distinguishes between the various types of funds used or managed by the federal government. With respect to dedicated collections or earmarked funds, to ensure that the objectives of federal

Continued on Page 9

FINANCIAL MANAGEMENT
PROFILE

Jack Martin was sworn in as the Chief Financial Officer (CFO) of the U.S. Department of Education on February 20, 2002. In this position, he advises the Secretary on financial management, internal control and audit resolution, financial systems, contracts and procurement, and grants policy issues. He was formally nominated as CFO on November 5, 2001 and confirmed by the Senate on January 25, 2002.

Prior to that, Mr. Martin was Managing Director and Chief Executive Officer of Jack Martin & Co. P.C., Certified Public Accountants, and Chairman and Acting Chief Executive Officer of Home Federal Savings Bank of Detroit. From 1991-1994, he left the private sector to accept an appointment as Chairman of the Provider Reimbursement Review Board, U.S. Department of Health and Human Services. He began his career at General Motors Corporation in Detroit. After leaving General Motors, he joined Control Data where he held a number of management positions in the U.S. and Canada, including Manager of Product Planning in the Advanced Products Development Division, Controller of the Canadian Development Division, and Operations Controller for the company's Canadian Computer Manufacturing and Development Operation. He commenced his public accounting career on the consulting staff of Touche Ross & Co (now Deloitte and Touche).

Jack Martin
Chief Financial Officer
U.S. Department of Educuation

Long committed to public service, Mr. Martin has served as Chairman of the Board of Health Alliance Plan (HAP), Michigan's largest health maintenance organization, a board member of the Henry Ford Health System and on the Investment Committee of the Mercy Health System (now Trinity Health), Chairperson of the Michigan Advisory Committee to the U.S. Civil Rights Commission, Vice President of the Merrill Palmer Institute at Wayne State University, Treasurer of the Alzheimer's Association, Board Member of the Detroit Athletic Club, and numerous other positions.

A Certified Public Accountant in several jurisdictions, Mr. Martin served on the Practice Standards Subcommittee of the American Institute of Certified Public Accountants (AICPA).

A native of Ferndale, Michigan, Mr. Martin holds B.S. and M.B.A. degrees from Wayne State University in Detroit, Michigan, and did post-graduate work in Labor Economics at the University of Minnesota. He and his wife, Bettye, reside in Bloomfield Hills, Michigan, and Washington, D.C., and have two adult children, Randy and Ingrid. He is a veteran of the U.S. Marine Corps.

Management Priorities and Beliefs

Mr. Martin stated that his office has a mission to provide accurate and timely financial services to the all of the Department's stakeholders. He stated that it is important to have a strong work ethic and be results-oriented. He is a passionate believer that when you are given an assignment you should try to execute that assignment as quickly and efficiently as possible.

Mr. Martin would like to see the American public and private industry change their perceptions of the Federal workforce. Through his own experience, he knows that most government employees, especially those within his organization, are very talented individuals who work extremely hard. He believes that most federal workers are on par with those who work in private corporations.

High on his list of priorities outside of his office is community service. He believes that we all need to be active in community programs such as the Combined Federal Campaign and other similar programs.

Business Practices

Under the President's Management Agenda, the government is working to improve financial performance. One of the key challenges facing Agencies is the integration of budget and performance. Mr. Martin is working hard on systems and processes at the Department of Education which will link the dollars spent to the results Congress intended, in particular those envisioned in the "No Child Left Behind" legislation.

Mr. Martin believes that all Federal agencies should be measured similarly to the way private sector companies are, as there are many parallels between the practices used in both sectors. He also believes that the private sector can learn something from the government, especially on how to go about resolving audit issues and formally closing-out audit findings.

Accomplishments

During Mr. Martin's tenure at the Department of Education a number of key financial management goals have been achieved. These include:

- Receiving last year's clean audit, the first in many years and only the second in the history of the Department;
- A perfect scorecard for progress in implementing the President's Management Agenda;
- Aggressive containment of credit card abuses. OMB has referred to the Department's new policies and procedures as "best practices;"
- A culture of accountability by improving controls, data, and reporting; and
- Significant strides in the area of student loan default management and prevention. For example, the Department collected more than $966 million in non-consolidated loans, exceeding the FY 2002 collection goals by over 5 percent.

CFO Council Update

Erroneous and Improper Payment Working Group Update

The Erroneous & Improper Payments Working Group (EIP) mission continues to evolve. Although focus will remain on helping agencies get their programs off the General Accounting Office's (GAO) high-risk list, attention will also be on helping agencies meet new requirements. A major initiative will be undertaken to help agencies determine feasible methods for implementing the Improper Payments Information Act of 2002 (P.L. 107-300), following the Office of Management and Budget (OMB) guidance issued for this purpose. Toward this end, the working group is reconvening a Guidance sub-workgroup to address this task specifically. The CFO and Office of Inspector General (OIG) communities, along with OMB, will be able to continue working collaboratively to ensure proper implementation of this new legislation.

The EIP continues to meet monthly, covering administrative as well as programmatic topics through presentations and group discussion and brainstorming. If staff from any unrepresented CFO Act agency is interested in participating and gaining the opportunity to affect the content and format of future workloads, contact Sally Clark, OCFO at 202-401-2616, or Theresa Lehr (OIG) at 202-205-5497. We welcome the infusion of "new blood," and have already seen our efforts make a positive impact on our relationships with GAO and OMB.

Systems/E-Government Committee

At the request of the Chief Financial Officers (CFO) Council Executive Steering Committee, this group was reconstituted under the chairmanship of Mark Carney, Deputy CFO at the Department of Education.

The group met April 11 and June 13, 2003. These meetings focused on establishing a committee charter and the shaping of tangible deliverables. With participants representing most of the CFO Act agencies as well as the Office of Federal Financial Management (OFFM) in the Office of Management and Budget (OMB), and JFMIP, this committee has the right mix of systems experience and viewpoints to address important issues.

The Committee intends to deliver information and recommendations to the CFO Council. Topics under consideration include elimination of redundant investments in financial management systems; promotion of a better understanding of how to design, select, build, and deliver successful financial management systems; better integration of financial systems; and integration of financial and performance information during decision-making.

The Committee plans to divide into smaller working groups, with each sub-group assigned a deliverable. Analyzing the impact of Federal Managers Financial Improvement Act, evaluating the latest version of the Performance Reference Model, and discussing the status of JFMIP's software testing and subsequent re-issuance of certificates, top the list of next steps for the Systems/E-government Committee.

If staff from any unrepresented CFO Act agency is interested in participating and gaining the opportunity to affect the content and format of future workloads, contact Sally Clark at 202-401-2616.

Hitting the Target – Agencies Meet to Discuss Accelerated Reporting

The Chief Financial Officers' (CFO) Council established the Financial Acceleration Committee to address accelerated reporting issues, problems, requirements, and timelines. On May 19, this interagency committee convened a forum at the Department of Education's Bernard Auditorium for agencies to discuss impediments

Continued on Page 15

JFMIP POSTING ON WEBSITE

Since January 3, 2003, all of JFMIP publications are now electronic. Sign up for the JFMIP E-Mail List to get email notification when each JFMIP publication is posted on our website. This includes quarterly newsletters, system requirements, and white papers. Go to home page of the JFMIP website, www.JFMIP.gov and click on the "Join the JFMIP E-Mail List" icon, shown to the right, or if you are reading online, click the graphic itself.

Recent postings include:

- Vendor Qualification Test (July 2003)
- Exposure Draft of a White Paper on The Federal Financial Management Workforce of the Future—Building a World Class Financial Workforce (May 2003)
- Exposure Draft of the Inventory, Supplies, and Materials System Requirements (May 2003)

FINANCIAL MANAGEMENT

PROFILE

James Taylor started working at the Federal Insurance Administration (FIA) as an intern in the Federal Summer Intern Program in 1980. The FIA had just become part of the Federal Emergency Management Agency (FEMA). He remained at FIA as a financial manager for 12 years, the last 6 as Assistant Administrator, functioning as a Chief Financial Officer (CFO)/Chief Administrative Officer (CAO). His work experience at FEMA provided him with memorable contributions to change the image of the FEMA from an inefficient bureaucracy to an organization that was efficient and effectively met the needs of the American people. Mr. Taylor was the Deputy Chief Financial Officer (DCFO) for FEMA for 6 years.

In 1999, he became the DCFO at the Department of Commerce (DOC). The DCFO sets policy for financial management and accounting; and oversees preparation of the Department's consolidated financial statements, and the implementation of a department-wide integrated financial management system.

James Taylor - Deputy CFO, Department of Commerce

Mr. Taylor has 23 years of Federal government service. He has a Master's in Public Administration in Finance from the University of Delaware and a Bachelor's degree in Political Science and Economics from Old Dominion University.

Mr. Taylor is a member of the government-wide CFO Council and is a member of the Financial Systems and E-Government Committee. He also serves on the Accounting and Auditing Policy Committee of the Federal Accounting Standards Advisory Board.

Commerce Administrative Management System

This year, the Department will finish implementing the Commerce Administrative Management System (CAMS) as its integrated financial management system. Mr. Taylor explained that CAMS was originally a COTS package when purchased in 1995. Following implementation problems, the Department assumed responsibility for building and maintaining the system in 1997. Once the implementation of CAMS is completed at the last bureau this year, DOC will be compliant with the Federal Manager's Financial Improvement Act (FMFIA). He and other senior management at Commerce are very proud of this accomplishment since it is almost a year ahead of the schedule developed in 1999.

Even though CAMS is not subject to certification by the Joint Financial Management Improvement Program (JFMIP), Commerce has adapted the JFMIP core financial management test process to baseline test CAMS in its operational environment. The JFMIP test process includes standardized test steps that core financial system software packages must pass. Since the CAMS is already operational, Commerce used a considerable amount of resources to adapt the JFMIP test to Commerce's environment. As a result, there are differences with the test results. One example was the JFMIP test requires five different ways to make payments, while DOC only needs one way to make payments. The major reason Commerce is doing this test is to ensure that CAMS meets mandatory requirements and for internal management's use.

DOC will spend approximately $230 million implementing CAMS. This amount includes everything they have spent on the project dating back to 1995, including the financial management staff and other Commerce employees involved, contractor, and hardware, such as buying upgraded personal computers and improving the telecommunications backbone of the Department. Mr. Taylor stated that two-thirds of the money spent on CAMS was associated with interfacing legacy feeder systems to the core financial management system. Only one-third is directly attributable to installing and testing the software.

The JFMIP test was helpful to Commerce's strategy in three ways. First, Commerce wanted to know where their systems are in relation to the current JFMIP requirements for COTS packages. DOC believes that the best gauge they have is the JFMIP test. They wanted to use the test to see how CAMS meets the external requirements as identified by an independent body. They are using the test in conjunction with an independent contractor study last year identifying strategies for efficiently managing the operations now that the initial implementation is completed through its useful life, and for better servicing the bureaus within the Department.

Secondly, the JFMIP test will provide a comprehensive assessment of CAMS' data processing as it moves to providing consolidated management reporting. In the last three years, the Department has moved from systems that had no front-end financial controls to integrated systems that are capable of providing extensive financial information. This year, they have taken the next logical step with the Consolidated Reporting System (CRS), which utilizes a SAS COTS software product to provide useful and timely desktop information for senior management. This should resolve the Department's historic problem of getting management timely, accurate data. The CRS will be available to senior management will help change behaviors and increase accountability.

Lastly, Commerce is interested in providing cross servicing of financial management functions for other Federal agencies. Mr. Taylor stated that the results of the test would absolutely help them build a roadmap for future enhancements to CAMS. He also believes that the process they are using could be used by other agencies using legacy systems to determine JFMIP compliance. The CFO staff has learned a great deal just by going through the process. The CFO staff already knew that some gaps needed to be filled, and had already planned to address them. After identifying all of the gaps, the staff can prioritize them and determine how to make the changes. They will combine the information obtained during the test with what needs to be done from an internal user's standpoint.

Mr. Taylor believes that the JFMIP test focuses a bit too much on transactions, and how transactions are processed and not enough

Continued on Page 13

DFAS "Kids 1st" Program

To many, financial management is "ho-hum". Of all the financial business processes, garnishment is even less touted, because it is associated with behavior that we rather not highlight—that is court ordered actions on the pay of personnel we serve. However, the Defense Finance and Accounting Service (DFAS) has demonstrated excellence in the performance of this function through partnership with federal and state service delivery organizations and innovative use of electronic commerce tools that resulted in outstanding service to the most vulnerable of our citizens—children. The program is called "DFAS Kids 1st". It is comprised of two electronic methods through which the states can process support orders. One way allows the state to send support orders via Electronic Commerce/Electronic Data Interchange (EC/EDI) over a secure Internet network. The other allows state support agencies to use a separate batch process that flows over a secure closed system operated by the Federal Office of Child Support Enforcement and DFAS. The result is reduced operating costs for both DFAS and the child support agencies while improving customer service.

The Defense Finance and Accounting Service – Cleveland Center, Garnishment Operations Directorate (DFAS/GAG-CL) is responsible for the legal review and processing of all court orders for all DoD civilian and military personnel. DFAS has a monthly volume of over 16,000 court orders; 11,000 of which make up child support orders. With the DFAS Kids 1st Web Program, any authorized state child support case-worker with a PC and Internet connection can log onto the server to submit new or modified wage withholding orders or view status of previously submitted orders. The case-workers complete the withholding information on a pre-formatted screen, then submit the data for processing. Edits and validations occur before the file is translated to an ANSI X12 format and forwarded through the DoD information-processing infrastructure to the DFAS Integrated Garnishment System (IGS). A View Log shows the date and time that an order was delivered to the communications gateway. In addition, a case log allows the case-worker to review and print orders for transmission tracking and archive purposes. The system provides an easy method for collecting and securely transferring data from the state case-worker PC to IGS. Upon receipt of the court order at the Garnishment office, the orders go directly to the electronic mailbox of the paralegal responsible for processing the support order. This change in the processing easily saves 14-18 days in mail and processing times for implementing these support orders. There are now 9 states using the Kids 1st Web Internet version process to submit orders.

Another Kids 1st Program process allows states to submit a large volume of support orders at one time using a batch process. The state computer systems assembles a batch file with multiple orders and sends it electronically to the Kids 1st System. Currently, there are 5 states using this new batch version. Texas, the 2nd largest state customer started using the batch process and in 3 days sent DFAS over 3,400 wage withholding orders.

These innovations allowed DFAS to process a 29% increase in workload between FY 2001 and FY 2002, at the same staffing levels. By the end of 2003, DFAS anticipates it will receive 40% of all state child support orders using these time-saving, cost-effective processes. The DFAS Kids 1st Program meets the President's Electronic Commerce Initiative for government departments to become paperless and the President's requirements of Executive Order No. 12953 to make federal agencies a model employer for child support processing. DFAS Kids 1st not only saves time and money for DFAS and the state support agencies, it enables children to receive needed resources timely. DFAS is looking to share this innovative practice with other federal agencies. For more information about Kids 1st, contact RODNEY.WINN@DFAS.MIL.

New OMB Deputy Director

Continued from Page 1

of OMB's mandate: federal management. The President's Management Agenda is designed to ensure that the government delivers on its promises, gets the most out of its resources, and puts the great talents of federal employees to good use," said OMB Director Joshua Bolten.

Since the beginning of this Administration, Mr. Bolten has served as Assistant to the President and Deputy Chief of Staff for Policy. Prior to that, he was policy director of the Bush-Cheney presidential campaign and served as policy director of the Bush-Cheney transition. From 1994 to 1999, Mr. Bolten was Executive Director, Legal & Government Affairs, for Goldman Sachs International in London. During the Administration of President George H.W. Bush, Mr. Bolten served for three years as General Counsel to the U.S. Trade Representative and one year in the White House as Deputy Assistant to the President for Legislative Affairs. Previously, he was the International Trade Counsel to the US Senate Finance

Continued on Page 22

Treasury Government Financial Management Conference

The Financial Management Service is hosting its 13th annual Government Financial Management Conference on August 12-14, 2003 at the Hyatt Regency in Bethesda, Maryland. The Conference addresses timely issues in government accounting, financial management, budgeting and information technology. This year's theme is Getting to the Heart of Financial Management." Plenary session speakers are Donald Hammond, Fiscal Assistant Secretary of Treasury; Joseph Kull, Deputy Controller, Office of Management and Budget; Bruce McCormick, President, ORA; and Dr. Frank Lazarus, Vice President, San Diego University. For more information, go to:

http://www.fms.treas.gov/tas/conference/annconf.html

Update on JFMIP Qualification Test Process

One of the Joint Financial Management Improvement Program's (JFMIP) activities is to test that commercial off-the-shelf (COTS) core financial management system software packages offered to Federal agencies can meet federal financial system requirements. The JFMIP software qualification test was updated and expanded extensively to ensure compliance with the November 2001 Core Financial System Requirements. This test is named the 2003 JFMIP Qualification Test, and may be found on the Knowledgebase at www.jfmip.gov.

Expiration of Certificates Based on 1999 JFMIP Qualification Test - All current certificates of compliance, based on COTS test results from the 1999 Core Financial System Requirements expire on June 30, 2003. Any vendor that desires a new certificate for its COTS package must successfully pass the 2003 JFMIP Qualification Test.

Results of 2003 JFMIP Qualification Test - As of June 30, 2003, three COTS software products have successfully passed the 2003 JFMIP Qualification Test. They are: American Management Systems Momentum Financials Version 5.0; SAP Public Services, Inc. mySAP ERP Version 4.7 with Enterprise Add-on for Public Sector and Extension Set; and Digital Systems Group, Inc. IFMIS Version 6.0. These software products have been issued Certificates of Compliance that will be valid through June 30, 2006.

Two more COTS packages are in various stages of the test, and another one is scheduled to start in September 2003. Please refer to the JFMIP web site for the most recent updates of COTS package receiving certificates based on the 2003 JFMIP Qualification Test. Information will also be added about each product that successfully passed the test, such as identification of report sources and hardware/software products used to pass the test.

The goal in developing the 2003 JFMIP Qualification Test was to test that COTS software available to Federal users meets the current Core financial system requirements. JFMIP greatly expanded the 2003 JFMIP Qualification Test to more comprehensively test the Core financial system requirements. This resulted in increasing the test transactions from approximately 500 to 1500.

The results of the 2003 JFMIP Qualification Test of successful commercial off-the-shelf (COTS) software that passed the test is posted on the JFMIP web site, www.jfmip.gov in the Knowledgebase section.

Qualification Test Process Benefit to the Agencies - For agencies, it is important to note that even if an agency has procured a software product, the continuous process of requirement recognition/definition/clarification and subsequent qualification test is beneficial. The process directs software products to either meet new requirements or to better meet existing requirements. As agencies upgrade to the new software product versions, they can help assure that the software product offered remains aligned with the Government's requirements.

For other information about the JFMIP Qualification Test Process, please contact Stephen Balsam at (202) 219-0531 or stephen.balsam@gsa.gov.

Open House on July 22, 2003

To find out more details about the results of the 2003 JFMIP Qualification Test, please reserve Tuesday, July 22nd on your calendar. This Open House will be start at 9:00 a.m. in the General Services Administration Auditorium, first floor, 18th & F Streets NW in Washington DC. The forum will conclude by noon. Registration is required by contacting Donna Tebeau, phone (202) 219-0526 or email steven.fisher@gsa.gov. Please provide your name, organization, phone number and email address.

FASAB UPDATE

Continued from Page 4

financial reporting are addressed at both the entity and the consolidated level reports for "trust funds" that are committed to fund future Federal program activity. During the April Board meeting, the Board discussed the Exposure Draft presented by staff and suggested several changes. They also requested that staff develop several alternatives for presenting the flows of earmarked funds, including showing the flows on the face of the financial statements. Please contact: Andrea Palmer McKinney, 202-512-7360, mckinneya@fasab.gov

6. Fiduciary Activity

The objective of the fiduciary activity project is to (1) define and characterize fiduciary activity in the Federal Government and (2) develop accounting and reporting standards for such activity. Federal fiduciary activity is the same as what is commonly understood to be trust fund activity in the private sector. The project will distinguish Federal fiduciary activity from other Federal activity referred to as "dedicated collection" or "earmarked funds" activity that is often referred to as "trust fund" activity but that is in fact Federal program activity. The Board voted in April to publish the exposure draft of a proposed standard entitled Accounting for Fiduciary Activities. The proposed standard shows how to distinguish Federal fiduciary activity from Federal program activity that in many cases is called "trust fund" activity but in fact represents taxes or other Federal resources dedicated to specific Federal programs. The proposed standard provides guidance about how to account for and report fiduciary activity. Comments on the exposure draft are due by July 31. The contact is Richard Fontenrose, 202-512-7360, fontenroser@fasab.gov

Developmental Assignments at JFMIP

Continued from Page 3

Master of Science in Accounting and a Bachelor of Arts in Business Administration and Music Business from Grove City College in Pennsylvania. She is a Certified Public Accountant in the Commonwealth of Virginia and a Certified Internal Auditor, having received the William S. Smith Certificate of Honor for outstanding performance on the CIA examination. Heather serves as the Secretary for the Northern Virginia chapter of the Association of Government Accountants. She is also a member of the American Institute of Certified Public Accountants and the Institute of Internal Auditors. She is an Executive Leadership Program participant on a 30-day developmental assignment with JFMIP. During this assignment, she will be gaining a broader perspective of federal financial management through attending meetings and interviewing senior federal financial managers.

OPM Releases New Governmentwide Hiring Authorities

On June 13, 2003, the U.S. Office of Personnel Management issued interim regulations giving federal managers and hiring officials important, new flexibilities to expedite and improve the hiring of qualified applicants, based on merit, Veterans' Preference and staffing needs. The flexibilities, representing some of the most important changes put forward in decades on federal hiring, advance the goals of President Bush's Management Agenda to attract and retain highly qualified people for the federal civil service.

"These regulations address key tenets of the President's Management Agenda and the Managerial Flexibility Act," said OPM Director Kay Coles James. "OPM is committed to knocking down barriers that limit the creativity and the flexibility of federal managers at every level, and providing them with the essential tools they need to attract, hire and retain for the federal civil service the best-qualified people to serve America."

The regulations also address agency reimbursement of educational expenses for employees who earn academic degrees, as well as the need of agencies to obtain early-out authority as a way to more quickly adjust their work forces in response to changing business demands. The regulations on Category Rating, Direct-Hire Authority, Academic Degree Training and Voluntary Early Retirement Authority implement provisions of the Homeland Security Act of 2002, which was signed by President Bush last November.

Category Rating is an alternative ranking and selection procedure that expands the pool of qualified job candidates that gets brought to the attention of agency managers and selecting officials. Under this procedure, which has been used successfully by agencies in demonstration projects, candidates are assigned to quality categories—such as "best qualified," or "highly qualified"—following an assessment of their skills against job-related criteria.

"Category rating is another management tool in the arsenal of flexibilities which managers and HR officials can use to evaluate job candidates and fill positions with the people who are best prepared to get the job done for the American taxpayer," James stated.

James further stated: "Veterans' Preference still applies under Category Rating, with veterans automatically moving to the top of their appropriate category. Agencies must hire veterans, before all others, from the highest-rated category in which a candidate appears."

Use of Category Rating is voluntary, and agencies may opt to use it on a position-by-position basis. Category Rating is an alternative to the existing "Rule-of-Three" scoring procedure, which uses numerical ratings to rank candidates from high score to low score and limits agency hiring decisions to one of the three highest-scored candidates, constricting the field of eligibles.

"While limiting an agency's selection to the three highest scorers results in the hiring of a qualified person, we must be able to consider the fourth or fifth person on the list, who, because of a number of intangibles that don't show up in the numeric score, is even more qualified," said James.

OPM's regulations also provide agencies with an ability to build up operations facing major staffing shortages.

Agencies can obtain OPM's approval to use Direct Hire Authority, a tool that permits the hiring of qualified individuals quickly, such as when emergencies, environmental disasters or other unanticipated events create a critical hiring need. Direct Hire also can be used when a severe shortage of candidates exists for positions needed to meet mission requirements.

"Having Direct Hire Authority is a marvelous tool for agencies when, for example, there simply are more jobs available in a particular occupation than there are candidates to fill them, or when the well-being of America is at stake," said James.

Agencies given Direct Hire Authority must limit its use to the specific occupations and/or grade levels approved by OPM.

A third regulatory change gives agencies more flexibility to reimburse employees for training or education that leads to an academic degree from an accredited college or university.

Regulations for the Academic Degree Training Authority require agencies to demonstrate that the training will help in the accomplishment of goals set forth in their strategic plans. The regulations remove a restriction that limited reimbursement to employees who occupy positions for which a shortage, or an expected shortage, of qualified individuals exists.

Agencies will fund their academic degree programs from existing appropriations or other available monies; beneficiaries of academic degree programs generally will be required to enter into a continued service agreement prior to attending classes.

The fourth and final regulation expands the conditions under which agencies can use the Voluntary Early Retirement Authority (VERA) to reduce their work forces. Previously, OPM, by law, could only approve requests for VERAs as a way for agencies to avoid costly and morale-damaging reductions-in-force (RIFs). Under the new regulations, OPM can also approve VERA requests from agencies needing to reshape their work forces or correct skills imbalances.

For more information, contact Michael Orenstein on 202.606-2402.

OMB Outlines Management Reforms

Continued from Page 3

- Financial audits for FY 2003 should show a 50% reduction in material weaknesses.

Competitive Sourcing

- Each agency should complete at least one standard job competition.
- All agencies will have personnel and policies to complete A-76 studies.

E-Government

- The government should have 80% of IT systems certified as secure.
- Twenty of the 24 e-government initiatives should be successfully implemented.

Integration of Budget and Performance

- A majority (60%) of all federal programs should be rated using OMB's Program Assessment Rating Tool (PART). Efficiency measures for all rated programs should be developed.
- OMB will have the ability to base budget and management decisions on PART reviews for approximately 50% of those programs rated.

OMB REVISES CIRCULAR A-76

The Office of Management and Budget (OMB) recently completed a two-year effort to significantly streamline the process for conducting competitions to perform federal government business activities. The revised OMB Circular A-76, which provides policy and procedural guidance to all executive branch agencies for holding competitions for services provided on the federal government's behalf, reflects changes the Administration hopes will encourage department and agency managers to expand competitions for activities that currently take place absent the benefit of rival providers. These services range from software consulting to facilities management. The Administration expects the taxpayers to be the ultimate benefactors from these expanded competitions, receiving improved services and costs savings.

Competitive sourcing, one of five initiatives contained in the President's Management Agenda, is the only initiative in which all federal agencies currently have a grade of "red". While much work still remains to improve performance in the area, most federal agencies have the necessary infrastructure in place to conduct private-public competitions. The availability of this infrastructure and the simplified and shortened process are expected to help improve grades in this area.

The new A-76, which became effective in May 2003, has considerably fewer pages than the old version and no longer includes a "Supplemental Handbook" containing complex details on how competitions should be held. OMB Circular A-76 changes are highlighted below.

Preliminary Planning. The new circular provides more detailed requirements on preliminary planning.

Timeframes. The new circular requires a 12-month timeframe for competitions with a 6-month extension for complex competitions.

Source Selection Methodology. The new circular provides greater flexibility to agencies by allowing broader consideration of costs and quality.

Procurement Process. The new circular integrates federal procurement regulations into the process while emphasizing equality in the application of requirements to public and private sources.

Direct Conversions and Streamlined Processes. The new circular eliminates this provision, and enhances streamlined processes with expanded deadlines.

Competition. The new circular eliminates preferences for the private sector while placing stronger policy emphasis on competition in order to achieve the best results for taxpayers.

Inherently Governmental Activities. The new circular requires agencies to identify and justify all inherently governmental activities. The new circular also allows challenges to the "reason" codes.

Guaranteed Bidding. The new circular allows exclusion of sources that offer materially deficient proposals thereby eliminating a guaranteed "seat at the table" for in house bidders. Further, the new circular requires steps to ensure that in house offers receive a full opportunity to be considered.

Reporting. The new circular expands reporting.

Accountability. The new circular expands accountability for all sectors.

Study Time Limits. The new circular makes provision to start study time limits with mandatory announcements.

Cost Comparisons. The new circular requires streamlined competitions not to exceed 90 days with approved deviations up to 135 days; all studies must be announced.

These changes mark the first major overhaul of A-76 in 20 years. The revised circular can be found at:

http://www.whitehouse.gov/omb/circulars.

Recent Hearings on Financial Management

The House Committee on Government Reform, chaired by Representative Tom Davis from Virginia, and its Subcommittee on Government Efficiency and Financial Management, chaired by Representative Todd Platts from Pennsylvania, are continuing a series of oversight hearings on the President's Management Agenda (PMA). These hearings focus on agency efforts to improve federal financial management – a key component of the PMA. Future hearings on the Department of Defense business system architecture strategy and the National Aeronautical and Space Administration's Enterprise Resource Planning and implementation are planned. The Subcommittee will also conduct a hearing later this year with vendors who pass the most recent JFMIP core financial system test.

The Subcommittee on Government Efficiency and Financial Management recently held a hearing focusing on the Department of Education and Department of Veterans Affairs (VA) implementation of Debt Collection Improvement Act of 1996 (DCIA). The Subcommittee discovered that VA has improved its debt collection practices by increasing referrals to the Financial Management Services (FMS) Treasury Offset Program from 75% of eligible debt to 97% in 2002. The Department of Education reported $22 billion in delinquent debt and has contracted with private collection agencies to reduce this total.

The Subcommittee also conducted a hearing to learn more about year-end closing and preparation of annual financial statements at the Departments of Education and Agriculture. Clean audits obtained for 21 of the 24 CFO Act agencies depended on intense last minute efforts and a variety of measures such as integration of information technology and other management approaches. The Subcommittee found that while these agencies received unqualified audit opinions, the audits are only one component of sound financial management and do not completely reflect the overall quality of each agency's financial management. Efforts to

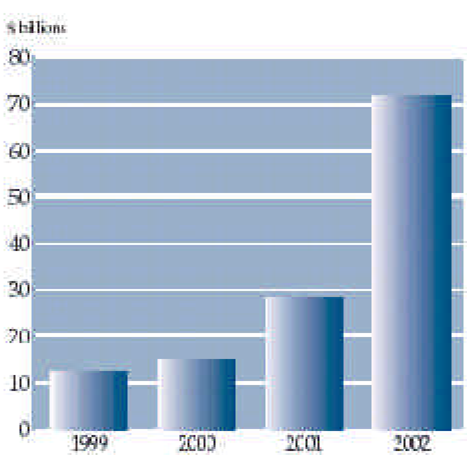
Continued on Page 21

IG Progress Report Shows Continued Efforts to Promote "Good Government" and Implement the President's Initiatives

In May 2003, the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) released *A Progress Report to the President, for Fiscal Year (FY) 2002*. This report focuses on how the Inspector General (IG) community has continued to identify and report governmentwide management challenges and assists in achieving the President's Management Agenda. Additionally, the report demonstrates the progress that the PCIE and ECIE have made in fulfilling their Strategic Framework, which was adopted in May 2001.

The IG community, now approaching its twenty-fifth anniversary in October, has played a vital role in the promotion of "good government." Ever since the Inspector General Act of 1978 created independent audit and investigative offices in 12 Federal agencies, the community has fostered accountability and integrity in government. Now encompassing 57 IGs and over 11,000 employees, the IG community is in the forefront of the fight against fraud, waste and abuse. Each Office of Inspector General continues to act as an "agent of positive change" for its respective agency and for government as a whole.

The efforts of OIGs during FY 2002 resulted in nearly $72 billion in potential savings, 10,700 successful criminal prosecutions, and 7,600 suspensions or debarments of individuals or small businesses. This year's accomplishments translate into a potential 50-fold return on the taxpayers' $1.5 billion investment. A Progress Report to the President displays the community's enduring commitment to promoting economy, efficiency, and effectiveness in government, and demonstrates its vigilance in detecting and preventing fraud, waste, and abuse.



Potential Savings over Last 4 Years

Governmentwide Challenges and the President's Initiatives

A Progress Report to the President emphasizes the IG community's collective efforts to address governmentwide management challenges and assist in implementing the President's Management Agenda. The efforts of each OIG in identifying issues related to the President's Management Agenda are detailed in Appendix A of the report.

Many of the challenges identified by OIGs in accordance with the Reports Consolidation Act of 2000 closely correlate with the President's initiatives. These governmentwide challenges include:

- Managing information technology more effectively and protecting infrastructure that is critical to Homeland Security.
- Making financial information more timely, reliable and useful for sound decision-making.
- Integrating budgets with performance measurement and accountability.
- Attending to Federal human capital issues.
- Continuing to oversee procurement and competitive sourcing practices.
- Improving services to the public.

Initiative #1: Expanded electronic government

As E-Government increasingly becomes the principal means by which Americans engage with government, its expansion may significantly help agencies improve their services to the public. OIGs across the Federal government are reviewing E-Government initiatives to ensure that appropriate controls are in place to safeguard sensitive data and that the resources dedicated to E-Government are managed effectively.

Overall, information technology management remains the highest-ranking concern of the IG community. The PCIE and ECIE continue to collaborate on a four-phase review of Federal agencies' implementation of a national effort to ensure the security of critical infrastructure assets. During FY 2002, as a part of these reviews, OIGs made over 140 recommendations to their respective agencies. Additionally, the IG community's Information Technology (IT) Roundtable functions as a forum for sharing best practices information on IT issues.

Initiative #2: Improving financial performance

After information technology management, financial management is the most frequently reported challenge by OIGs. Although OIG audits of FY 2002 financial statements saw an increase in "clean opinions" from FY 2001, much work remains to be done. In some agencies, attainment of a clean opinion is a fragile and somewhat artificial achievement because it results from extraordinary end-of-year efforts rather than regularized accounting operations. With respect to other financial management issues such as erroneous payments and purchase card abuse, OIGs have successfully identified each problem's causes and suggested system improvements to prevent future abuse.

Initiative #3: Budget and performance integration

Throughout this past fiscal year and into the current one, OIGs have helped, and will continue to help, their respective agencies fully integrate their budget and performance programs. Although Federal departments and agencies have developed plans and reported on their performance as required by the Government

Continued on Page 16

Financial Management Profile - James Taylor

Continued from Page 7

on results and internal controls. However, he also thinks that the JFMIP test has helped the CFO community leverage vendors to provide the functionalities that are mandatory for the government.

Audited Financial Statements

The Department of Commerce has just received its fourth clean audit opinion on its financial statements. Mr. Taylor believes that audited financial statements for the Federal government and agencies are necessary. Audited financial statements produce a discipline that DOC lacked in the past. It puts far more focus on the quality and timeliness of information. The focus on financial statements may have caused some problems, since he believes that Federal agencies missed an opportunity to collaborate to improve their financial systems in the 1990's.

Commerce would not be where they are in terms of being able to produce information for their senior management if it were not for the financial statement requirement. The CFO office would like the financial statements to have information that is useful for management, not just data for financial statements. If management does not understand how the financial statements relate to what they are trying to accomplish, then all that's been done is meeting Treasury's requirement. That is a critical issue.

Standardization of Financial Systems

Mr. Taylor advocates that there should be standard core requirements for financial systems. He thinks that the CFO community would acknowledge that there is duplication and redundancy in many of the federal agencies financial systems. He would like to see agencies working together to try to reduce duplication, with the support of OMB and Congress. If a good solid business case was developed in a participatory manner involving the CFO community, he believes that the Government would embrace the idea of more standardized financial systems. He suggested that central agencies work with the Departments and agencies to obtain this goal.

He stated that having compliant systems is the first step towards standardized systems, and most departments and agencies are using the U.S. Standard General Ledger and are compliant. Although he thinks that JFMIP is doing a great job with the test process and systems requirements, JFMIP needs to focus more on the underlying business practices. Organizations are really creative about avoiding fixing their underlying business practices and are still using customized software packages. They use Enterprise Application Interfaces (EAI), which are middleware on the process. An EAI tool is placed between the legacy feeder system and the core system and interprets the feeders coming in for the purposes of the core system, so that it is not necessary to change underlying business processes. Many organizations that claim they are running a COTS system really have an EAI tool to interface with the legacy system. They have not changed anything, because the hardest part is changing the underlying business process, not plugging in a COTS package. The original intent of the JFMIP system requirements was that agencies would have more standard business processes and standard systems. That is not what has generally happened. Although, he thinks that JFMIP is doing a great job with the test process and system requirements, he expressed his desire to have JFMIP focus more on the underlying business practices.

Mr. Taylor said that it is not inherently in the government's best interest to custom build software. He believes that COTS packages are evolving to meet the financial management needs of government agencies. In addition, government agencies will have extreme difficulty competing with private companies in attracting and retaining software developers necessary for development and maintenance. In spite of having assumed responsibility for maintaining its financial management software, Commerce is focused on expanding its use of COTS packages for its reporting and administrative systems in the future.

Human Capital

Mr. Taylor said that the most critical human resource issue facing Federal agencies today is the changing nature of the jobs in financial management. He does not believe that there will be a mass exodus of Federal employees. His main concern is ensuring the financial management staffs are prepared to shift from inputting data and preparing reports to more analytic activities in support of management. When integrated systems and software products provide great statistics and data, the requirements will increase for accountants to provide value-added analysis.

Mr. Taylor also stated that departmental financial staffs are not well served when they are hired at a specific bureau or office and remain for the majority of their career. Government organizations of all sizes are better served by having financial management staff familiar with the different aspects of various functions, particularly in the field. Experiencing the various perspectives from headquarters and bureaus, benefit both the organization and the employee. Commerce is following the lead of other departments that have established department-wide intern programs as an initial step in addressing this issue.

Mr. Taylor stated that, as a manager, you have to be comfortable enough with the team that you have to encourage rational risk taking, for staff not to be afraid of trying new ideas and making a mistake. And make use of every tool available to reward them.

Mr. Taylor is active in mentoring and developing at-risk teenagers from high schools through a program, the National Academy Foundation, that helps develop skills through internships and college-level coursework that will give them a head start on college.

Goals

Commerce just completed the President's Management Agenda exercise for where they would be "proud to be" by July 2004. Commerce plans to be fully FMFIA compliant by that date. Commerce will complete its implementation of CAMS and address a material weakness on information technology security to achieve this goal. Resolving these items and fully utilizing the Consolidated Reporting System will get the Department to green on the President's Management Agenda scorecard.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION INTEGRATED TRAVEL MANAGER SYSTEMS

In October 2002, the National Oceanic and Atmospheric Administration (NOAA) completed implementation of the Commerce Administrative Management System (CAMS), which is an integrated, modern, flexible financial and administrative system that complies with the CFO Act and other legal and regulatory requirements. CAMS provides for the capture of financial data as a by-product of program and administrative operations, supports paperless processing, uses electronic forms/electronic approvals, performs automatic validations and verifies funds availability.

The Integrated Travel Manager Systems are the NOAA CAMS solutions for preparing and processing all NOAA, and NOAA's client, the Bureau of Industry and Security (BIS), travel authorizations and vouchers. The Integrated Travel Manager System (ITM) for temporary duty and local travel has been operational since January 1998. ITM embodies numerous significant improvements in administrative and financial processes and has proven to be a major success. ITM unites the off-the-shelf Travel Manager (TM) software package developed by Gelco Information Network, Inc. with custom software to integrate TM with the CAMS Core Financial System (CFS). ITM incorporates fully automated document preparation with electronic routing and electronic signature and is fully capable of operating in a paperless mode.

ITM has numerous automated edits and controls that eliminate errors and the need for extensive voucher examination. ITM provides the flexibility to process various types of travel and to accommodate routine and special travel situations. ITM supports temporary duty (TDY) foreign and domestic travel for civilian employees, invitational travelers, and NOAA Corps Uniformed Service Officers.

During the travel authorization and travel voucher preparation process, electronic calls are made to the CAMS CFS Oracle tables to validate that funds are available and that all elements of the accounting classification code(s) cited are valid. During electronic routing for review and approval, ITM generates e-mail messages that notify individuals in the review/approval chain that there are travel documents awaiting action. ITM also passes approved travel voucher transactions to the CFS for reimbursement payment processing.

To ensure accuracy and increase productivity, lodging, meals and incidental expenses (M&IE), and standard mileage rates are downloaded monthly from Gelco and are automatically applied by the software based on locations and travel dates. The software automatically and correctly performs all calculations. ITM retains traveler's personnel data to eliminate duplicate data entry. Accounting classification codes are also retained so they do not need to be rekeyed. ITM provides on-line access to data that includes status information related to specific travel documents and an extensive history for all travel documents. To provide guidance during the document preparation process, ITM also incorporates on-line access to the Federal Travel Regulations.

All travel reimbursement payments are made by electronic funds transfer (EFT) to the same bank account to which the traveler's payroll payments are deposited unless directed otherwise by the traveler. Each pay period, electronic payment maintenance data is received from the Department of Agriculture, National Finance Center so that current and correct payment information is available for travel reimbursements. Once a payment request is sent to Treasury, travelers receive notification by e-mail that their reimbursement has been processed and that they should expect a deposit to their account within two working days. Also, an electronic listing of U.S. Government Travel Cardholders is received from Citibank, the Commerce Government Travel Card services provider, and loaded into ITM so that policies pertaining to travel advance authorized amounts can be applied by the system.

By leveraging its investment in ITM, in October 2002, NOAA rapidly and at a reduced cost implemented Integrated Travel Manager for Relocations (ITMR). ITMR embodies many of the features of ITM and incorporates many new features to accommodate relocation travel.

ITMR is a fully integrated relocation travel management system that unites Gelco off-the- shelf relocation software and custom integration software. ITMR is fully compliant with the CFO Act, Federal Travel Regulations, Internal Revenue Service (IRS) regulations as they apply to allowable moving expense deductions, and other legal and regulatory requirements. It is an end-to-end

Continued on Page 19

Need to Network?

Federal agencies now can update senior federal financial managers in our Web based directory, Federal Financial Managers Directory. Names, titles of positions, office addresses, phone numbers, email addresses and functional categories are identified. Check it out, and if your agency listing needs updating, contact donna.tebeau@gsa.gov.

The website address is:

http://www.jfmip.gov/jfmip/FFMDirectory/

CFO Council

Hitting the Target – Agencies Meet to Discuss Accelerated Reporting

Continued from Page 6

and best practices as they strive to meet the November 15th deadline for FY 2004 annual reporting. More than 100 people from nearly two dozen Departments, agencies, and organizations worked through an ambitious, day-long agenda that addressed the following topics:

- Estimation
- Need for and Use of Third Party Data
- Role and Impact of Treasury Reporting Requirements
- Specific Issues Relative to Credit Reform
- Performance Reporting
- Federal Managers Financial Improvement Act (FMFIA) Reporting
- Accelerated Timelines and Work Schedules
- Working Relationships with the Auditors and Offices of Inspector General (OIG)

The bulk of the meeting was comprised of a series of facilitated discussions led by Hal Steinberg, the former Associate Director for Management at the Office of Management and Budget (OMB), and Diane Dudley, Partner-in-Charge for KPMG's Government Assurance Practice in Washington, DC. The following summarizes the events and discussions of the day.

Don Hammond, Fiscal Assistant Secretary at the Department of the Treasury, and Joe Kull, Deputy Controller at OMB, kicked off the meeting by summarizing recent accelerated reporting developments. To prepare for the Fiscal Year (FY) 2004 deadline of November 15, several agencies plan to test accelerated reporting processes and cycles by submitting their FY 2003 audited financial statements and annual reports by November 15, 2003; and all except 2 agencies plan to submit by December 31. It was noted, however, that acceleration must involve process change, not just reductions in cycle times.

The morning sessions focused on financial management and reporting issues, including estimation, third party data, Treasury reporting, and credit reform. Estimation was identified as one of the keys to meeting accelerated reporting requirements. Some agencies have developed and documented estimation policies and processes in coordination with the auditors. Agencies stressed the importance of communicating this information throughout the organization. Agencies also noted the importance of using more than one cycle of data to perform even simple trend analysis for estimation.

Third party data primarily comes from two sources: (1) Federal sources, e.g. OMB, Department of Labor (DOL), Office of Personnel Management (OPM), and Treasury, and (2) non-federal sources, e.g. financial institutions, grantees, and actuaries. OPM is accelerating their distribution of imputed cost factor (e.g., Civil Service Retirement System, Federal Employees Retirement System, and other employee benefit programs) data to the agencies, expecting to make FY 2003 year-end factors available by September 15, 2003. DOL plans to provide preliminary unaudited Federal Employees Compensation Act (FECA) actuarial data during the first week in September, and final audited numbers by the end of September. As for non-federal sources, many government agencies are dependent upon contractors/subcontractors for key financial data. To enable estimation and accelerated reporting, agencies may need to revise contracts to obtain information needed from contractors and subcontractors.

Treasury reporting requirements, particularly cash reconciliation, and Intra-governmental Payment and Collection (IPAC) and Judgment Fund transactions, and their impact on accelerated reporting was another major topic of the meeting. Discussion of cash reconciliation issues highlighted the process' cyclical nature. Agencies need to submit Statement of Transactions (SF 224) to the Financial Management Service (FMS) by the third workday of the month so that FMS can provide timely Statement of Differences (SF 6653) to agencies. FMS cannot generate SF 6653 reports until they receive all SF 224 data. Thus, the process is driven by the last organization that submits its SF 224 reports to FMS, which hampers the ability of other agencies to perform timely cash reconciliation processes. Agencies also discussed the occurrence and handling of minor/immaterial differences in cash reconciliation and other processes. One agency reported some success in working with the auditors to accept minor differences.

However, FMS is attempting to assist the agencies by accelerating their data distribution schedule. Beginning with the January 2003 accounting month, FMS accelerated the SF 224 reporting to the third workday, and also accelerated SF 1219/1220 and SF 1218/1221 reporting to the fifth workday with supplemental reporting due on the sixth workday. FMS has proposed the following schedule for accelerating the availability of the undisbursed ledgers and the publication of the Monthly Treasury Statement (MTS).

Accounting Month	Undisbursed Available to Agencies	Release of the MTS
April 2003	11th workday	14th workday
May 2003	10th workday	14th workday
June 2003	10th workday	13th workday
July 2003	10th workday	13th workday
August 2003	10th workday	12th workday
September 2003	10th workday	12th workday

Regarding IPAC transactions, some agencies have established interagency agreements for early monthly IPAC cut-offs to facilitate reconciliation and to avoid late-month adjustments. However, the policy of other departments is to not allow cut-offs. The focus instead is to do what you can when you can, instead of batching transactions toward the end of the month. IPAC should support the business, not dictate it. Early cut-off should not be a substitute for sound business practices, raising the potential need for improved business rules across government.

Some agencies expressed difficulty in receiving information when Treasury makes payments from the Judgment Fund, on agencies' behalf. The Department of Justice (DOJ) sends data to Treasury, but not automatically to other agencies. One agency has made special arrangements with Treasury to receive Judgment Fund payment notifications, and will share contact information with agencies through the Acceleration Committee. Concern was also

Continued on Page 18

Exposure Draft on Inventory, Supplies and Materials System Requirements

On April 30, 2003, JFMIP released a document entitled, "Inventory, Supplies, and Materials System Requirements" as an exposure draft. The exposure draft is an expansion of the previous document and was necessitated by legislation and regulations developed since 1995 that impacts inventory. It covers inventory held for sale, operating materials and supplies, and stockpile materials. The exposure draft is on the JFMIP website at: http://www.jfmip.gov/jfmip/download/Exposuredrafts/isr_exposure_draft.doc

A task force led by Ms. Robin Quinlan, Department of Defense rewrote the document and expanded the scope. The task force involved 12 agencies and over 40 people that worked on the project from September 2002 through March 2003. The document provides a common reference to support Federal agency efforts to improve financial management and logistics systems and to comply with Federal Managers Financial Improvement Act and other relevant statutes and regulations. It is of particular value to system analysts, system accountants, system auditors and others who design, develop, implement, maintain and oversee systems; as well as private sector vendors that provide software and services to the Federal government.

The document is intended to assist agencies when developing, improving or evaluating systems for inventory held for sale, operating materials and supplies, and stockpile materials. It provides the baseline functionality that systems must have to support agency missions and comply with laws and regulations.

The comment period for the exposure draft ended June 30, 2003. Numerous comments have been received and are in the process of being incorporated into the document. It is expected that the document will be finalized and released in September 2003. For more information, contact Elvon Lloyd at elvon.lloyd@gsa.gov.

Need to Network?

Federal agencies now can update senior federal financial managers in our Web based directory, Federal Financial Managers Directory. Names, titles of positions, office addresses, phone numbers, email addresses and functional categories are identified. Check it out, and if your agency listing needs updating, contact donna.tebeau@gsa.gov.

The website address is:
http://www.jfmip.gov/jfmip/FFMDirectory/

IG Progress Report

Continued from Page 12

Performance and Results Act (GPRA), the information they have submitted is not always aligned or included in their budget submissions to the Office of Management and Budget (OMB).

The OMB used its Program Assessment Rating Tool (PART) to analyze 234 Federal programs and found that half the agencies could not demonstrate meaningful results. The PCIE's and ECIE's GPRA Roundtable, which enabled representatives from 40 Federal agencies to interact with experts and learn the best practices on government performance and accountability, offered suggestions for OMB's consideration when implementing PART.

Initiative #4: Human Capital Management

As retirements loom, and recruitment and retention obstacles mount, the development of human capital has emerged as one of the Federal government's major challenges. For IGs, the issue is relevant not only to their specific agencies, but to their internal organizations as well. The success of OIGs depends on the innovative and effective training of the thousands of auditors, investigators, and evaluators who help keep government efficient and accountable.

To meet the growing challenge of human resource development, the IG community during FY 2002 has worked to enhance its already existing training programs and develop programs in management and succession planning. With classes and forums on topics ranging from auditing to E-Government, the community has continued to foster a well-trained and highly skilled OIG staff.

Initiative #5: Competitive Sourcing

Under the Federal Activities Inventory Reform Act, agencies and their OIGs have begun to identify functions that could be performed by the private sector. With the Administration's increased emphasis on competition between Federal and private sources, OIG oversight of this process is essential. The IG community's audit and investigative work during FY 2002 found that a significant portion of questioned costs pertained to poor contractor oversight, which resulted in excessive or unnecessary costs to the government, as well as fraudulent billing schemes. OIG reviews during the past fiscal year confirmed the vulnerability of programs to embezzlement and led to the recovery of billions of dollars.

Meeting the Goals of A Strategic Framework

Adopted on May 29, 2001, A Strategic Framework provides the PCIE and ECIE with the vision and goals to guide both their collective efforts to address governmentwide challenges and the responsibilities within their respective agencies. The Framework sets forth four goals to be achieved over a 3-year period: 1) improve federal programs and operations, 2) communicate reliable and timely information, 3) advocate and implement human resource development programs, and 4) advance the professional image of the IG community. *A Progress Report to the President* highlights the substantial accomplishments made by OIGs during FY 2002 as they worked to achieve these goals.

More Information on the IG Community

For access to the Progress Report to the President and a more in-depth look into the Inspector General community, visit http://www.ignet.gov. This web site contains history, organization, and activities of the IG community; frequently asked questions about the IGs; and a directory of IGs and links to their home pages.

Executive Forum on Systems Implementation Success Factors Using COTS

On June 12, 2003, JFMIP in partnership with the Private Sector Council (PSC) and the Systems and E-Government Committee of the Chief Financial Officers (CFO) Council hosted an executive forum that brought together senior financial managers from government and the private sector to discuss the issues and challenges in identifying the critical success factors in implementing commercial off-the-shelf (COTS) financial management systems. The half-day forum drew nearly 60 participants from 22 federal departments and agencies and 13 private sector organizations.

Joseph Kull, Deputy Controller, Office of Management and Budget (OMB) and Chair, JFMIP Steering Committee, gave the opening remarks and outlined the objectives for this forum. Mark Carney, Deputy CFO, Department of Education and Chair of the Systems and E-Government Committee, and Jerry Williams, Financial Systems Branch Chief at OMB, discussed their expectations for this forum and issues that agencies face in implementing COTS financial systems. A.W. "Pete" Smith, President of the Private Sector Council (PSC), facilitated the discussion of how entities can set realistic expectations on the use of COTS. Brief overviews were presented by David Carney, Software Engineering Institute, Carnegie Mellon University; Gopal Kapur, The Center for Project Management; Morgan Kinghorn, Partner, IBM Business Consulting Services; Richard Rogers, Titan Systems Corporation; and Will Tracz, Lockheed Martin.

Also, in an effort to identify ways to effectively improve the timeliness, accuracy, and usefulness of financial and operational information, in both the government and the private sector, forum participants engaged in interactive discussion to address the following questions:

- What are the best practices and success factors for the successful acquisition and implementation of financial management systems?
- What are the management strategies for the successful use of COTS?
- What is the role of requirements definition in reporting and in meeting business information needs of program managers?
- What is the best model for testing? What is the role of requirements and testing in the acquisition and implementation process?
- How should financial management system success be measured?
- What is the role of data standards?
- What are the business information needs of program managers?

Key points included setting realistic expectations with the use of COTS, dealing with change management in the organization, the role of leadership for successful implementation, defining success, the need to improve project management skills in the government, and identifying the system requirements and the testing of these requirements before the system becomes operational.

Highlights from this forum will be posted soon on the JFMIP website at www.jfmip.gov. The JFMIP plans to have more of these Executive Forums in the future.

GAO Releases New Edition of the Yellow Book

Continued from Page 1

- redefining the types of audits and services covered by the standards, including an expansion of the definition of performance auditing to incorporate prospective analyses and other studies and adding attestation as a separate type of audit,
- providing consistency in the field work and reporting requirements among all types of audits defined under the standards, and
- strengthening the standards and clarifying the language in areas that, by themselves, do not warrant a separate amendment to the standards.

In releasing these standards, the Comptroller General emphasized that "auditors will face many situations in which they could best serve the public by doing work exceeding the standards' minimum requirements. As performance and accountability professionals, we should not strive just to comply with minimum standards, which represent the floor of acceptable behavior, but we need to do the right thing according to the facts and circumstances of each audit situation." He called on auditors to seek opportunities to do additional work when and where it is appropriate, particularly in connection with testing and reporting on internal control.

Revisions to the new edition of Government Auditing Standards have gone through an extensive deliberative process including extensive public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards. The council includes 20 experts in financial and performance auditing and reporting drawn from all levels of government, academia, private enterprise, and public accounting.

New standards are applicable for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. Early application is permissible and encouraged.

Government Auditing Standards incorporates the field work and reporting standards issued by the AICPA. The new Public Company Accounting Oversight Board (PCAOB), established by the Sarbanes-Oxley Act, promulgates standards for public accounting firms in audits of publicly traded companies. GAO will continue to monitor the actions of the AICPA and PCAOB and will issue clarifying guidance as appropriate.

Government Auditing Standards is available on the GAO web site at www.gao.gov/govaud/ybk01.htm. Printed copies can be obtained from the U.S. Government Printing Office. Also posted on the web site is a list of major changes from the 1994 edition. For more information, contact Jack Hufnagle at (202)512-9470 or email hufnaglej@gao.gov.

CFO Council
Hitting the Target
Agencies Meet to Discuss Accelerated Reporting

Continued from Page 15

expressed regarding the accuracy and timeliness of Judgment Fund settlement listings posted on Treasury's website.

The complexity of credit subsidy models, and the related data needs for reestimation (annual validation of subsidy estimates) yields an added burden on credit agencies when attempting to meet an accelerated timeline. In particular, agencies cited the need to obtain timely economic assumption data from OMB in order to make accelerated reporting a possibility.

The afternoon sessions focused on non-financial, annual reporting and audit issues, including performance and Federal Managers' Financial Improvement Act (FMFIA) reporting, developing accelerated timelines and workplans, and the agency's working relationship with their Office of Inspector General (OIG) and auditors.

There was significant discussion regarding the need for OMB to provide additional guidance on accelerated performance reporting. Agencies should ensure that they understand this guidance and OMB should clarify Circular A-11 requirements on the use of estimated data for performance reports. Some agencies are reporting performance data as of June 30 to facilitate acceleration, but using this preliminary data can mean that an agency may not truly be able to compare actual performance against targets. In addition, availability of third party data is also an issue for performance, as well as financial, reporting. For example – to obtain earlier performance data from State/local governments, agencies may have to change regulations or make contractual changes. In the context of the President's Management Agenda (PMA) initiative to integrate budget and performance information, performance data time lags can cause mismatches with costs. For example, program costs incurred in FY 2003 may not yield results until 2004, or later. To streamline performance reporting, many agencies develop "corporate" goals, or a subset of their total program performance goals to report in the Performance and Assessment Rating Tool (PART), and 'Use performance reporting to drive program management'.

FMFIA reporting discussions focused on identifying the appropriate source for this information. Some agencies focus on audit findings as a basis for FMFIA reporting. FMFIA was intended to be an agency review-driven process, yet the OIG and audit findings can play a role in the process. Agencies cited frequent communication with the OIG, and establishing a management control oversight councils within their agencies as best practices. Council members, who include agency and IG representatives, collaborate to determine reporting issues (material weakness and reportable condition). Agencies are also meeting with OMB and General Accounting Office (GAO) early to discuss key challenges and implementing quarterly program reporting.

From an overall planning perspective, several agencies have formed workgroups to address the multitude of issues impacted by accelerated reporting. The groups have helped agencies allocate resources to the priority issues, monitor progress, and create 'peer pressure' within the organization to incentivize the initiative. Given the magnitude of the accelerated reporting initiative, agencies have found that using multiple coordinated, focused timelines is more useful overall than trying to manage a single, comprehensive workplan. Agencies have also benefited from creating a series of lower-lever deliverables to keep the initiative on track, frequently discussing issues with program offices, and coordinating timelines with bureaus/agencies within the organization. Finally, agencies have found it valuable to take a pro-active approach with OMB's required '10-day review' period. Some agencies share early drafts with both Resource Management Office (RMO) and Office of Federal Financial Management to reduce time needed for the final review period. In soliciting early OMB feedback, it is important to note that competition for OMB resources is fierce during the year-end reporting cycle, given its proximity to the budget preparation process.

Finally, the day's events concluded with a discussion of agency working relationships with their auditors and OIGs. To make accelerated reporting a reality, agencies must engage in frequent, routine communications with OIG throughout the year, and must ensure early approval of audit contracts. Contracts should include accelerated timelines, with a back-up funding plan in place to ensure auditor commitment. Agency budget issues can also impact the implementation of accelerated processes. Continuing Resolutions (CRs) can impact audit contract funding and possibly preclude an agency from issuing an audit contract early enough to accommodate accelerated reporting. Agencies need to develop a backup plan and have resources (staff) available, along with a contingency plan for unforeseen events. No one resource should be the key to the reporting process. In addition, it is important to employ quality assurance throughout the process. Finally, agencies indicated that they would defer to an unqualified opinion over meeting accelerated deadlines.

Overall, attendees found the day-long meeting valuable, particularly as a forum for discussing common issues and for identifying contacts for best practices. Building on the success of this meeting, the Financial Acceleration Committee is planning additional sessions in the future to address both general and specific accelerated reporting issues, in addition to its regularly scheduled monthly meetings. In addition, Committee members are actively engaged in further exploring a number of the issues identified at the session. For additional information on the Committee's activities, go to www.cfoc.gov. Agencies that would like to participate on the Committee should contact Ann Davis at the Department of Treasury at Ann.Davis@do.treas.gov

NOAA INTEGRATED TRAVEL MANAGER SYSTEMS

Continued from Page 14

solution which processes all transactions uniquely associated with employee relocations such as employee and family travel, temporary quarters, house hunting expenses, shipping and storage of household goods, real estate expenses, etc. ITMR automatically calculates and applies withholding tax allowance (WTA) and Relocation Income Tax Allowance (RITA) and automates required W2 reporting and U.S. Treasury FedTax 2 Reporting for employee withholding and employer's matching contribution.

The NOAA travel systems are built on extensive centralized databases that allow NOAA to produce detailed travel reports for budget planning and tracking, and for responding to Congressional and other inquiries. They provide user-friendly travel processes, real time integration, comprehensive reporting, improved customer satisfaction, and an excellent partnership with the private sector.

Efficiencies built into the systems have significantly reduced the time required to produce and process travel documents and has allowed NOAA to reassign staff to other tasks. The systems have obtained wide spread user acceptance as a well-designed, easy to use tool for creating and processing travel documents. Under the NOAA predecessor travel payment systems, backlogs and late reimbursement payments were common. Under, the new travel systems, backlogs are non-existent and reimbursement payments are generally made within three days of voucher approval. This improved situation has made the systems extremely popular with NOAA and BIS travelers.

With the implementation of the CAMS travel systems, NOAA has moved from what were costly, unreliable, labor intensive, and frustrating processes to modern and efficient travel management systems. NOAA now has the ability to provide travelers with excellent support and at the same time to provide NOAA Management with the type of data that will allow them to make informed and timely decisions.

For more information, contact Bob Wolin, Chief, Integrated Systems by email bob.wolin@noaa.gov or (301) 427-1009.

Transforming the Federal Financial Management Workforce

As baby boomers get ready for retirement, the Federal government will face an opportunity to reshape the workforce as a majority of career employees will be eligible to retire within the next 5-10 years. In the federal financial management community, approximately 64% of the financial management workforce is over 45 years old, and one third of this workforce is eligible to retire by 2005. The problem is further exacerbated by a high attrition rate of the younger financial management workforce during the recent federal downsizing efforts. The slow economy has helped to stall the mass exodus of baby boomers for now. What do we need to ensure that the critical role performed by the federal financial management workforce is done efficiently and effectively? We need a human capital transformation to ensure that financial managers become financial advisors and strategic business partners to decision-makers in government organizations.

Currently, the federal financial staff is devoted largely to "keeping the books," reconciling transactions and ensuring controls are in place. The federal financial management community faces many challenges due to major changes in financial management expectations, including accelerated financial reporting, business practices and rapid changes in supporting tools and technologies (such as the use of e-government initiatives and integrated financial systems. The future is uncertain on what the federal financial management workforce will be doing as system consolidations and the use of alternative sourcing in financial management are now being contemplated by senior policy officials.

The Joint Financial Management Improvement Program (JFMIP) recently worked on a project addressing human capital issues surrounding the federal financial management workforce of the future. The report recommended that agency chief financial officer (CFO) work with chief human capital officers to plan for this transformation. Inventories of employee competencies should be completed and plans to identify critical organizational competencies needed for the future. Each employee should take personal responsibility for acquiring these competencies with a commitment to professional development.

The future financial management workforce will be smaller, flexible and results driven to be successful in a performance-based business environment. While the core skills are still required, there will be a growing emphasis on personnel with an understanding of multiple functions and business skills. The increasing quantity and availability of data will require a workforce that can organize this data and transform it into information that is meaningful to the users. As financial managers and their staffs are doing "more with less," the federal financial management community needs to articulate a vision and develop a strategic plan for its human capital. Strong leadership support as well as employee buy-in are needed to ensure that multi-skilled employees are prepared for the future. Financial leaders must work together to ensure that the future workforce is prepared to meet these challenges ahead. The JFMIP will be working with the Chief Financial Officers Council's Human Capital Committee to address these issues. For a copy of the JFMIP study, "The Federal Financial Management Workforce of the Future—Building a World-Class Financial Workforce," go to JFMIP website,

http://www.jfmip.gov/jfmip/download/Otherreports/federal_financial_mgmt_workforce_exp_draft.doc. For more information contact Doris Chew by email doris.chew@gsa.gov.

Importance of the Government's Consolidated Financial Statements

Robert Reid is the Deputy Assistant Secretary for Accounting Policy at the U.S. Department of the Treasury. He is a member of the Federal Accounting Standards Advisory Board and a JFMIP Steering Committee member. His views on consolidated financial statements of the U.S. Government are presented below.

The Financial Report of the United States Government is an important report that has included consolidated agency financial statements since fiscal year 1997. It raises issues that affect everyone. The report discusses the Government's financial operations for the year and includes financial statements that cover the executive branch as well as parts of the legislative and judicial branches. The report is available at http://www.fms.treas.gov/fr/index.html.

Acceleration of Financial Reports

Financial statements that receive a clean audit opinion are important because they tell the public and the agency managers that the financial information is valid, but a clean opinion is not the be-all and end-all of the process. Program managers need information to manage, and they need it now and not later. Accelerating the financial statements improves the usefulness of financial information.

In September 2001, the Office of Management and Budget issued guidance requiring the acceleration of audited financial reports. Preparation of the FY 2002 agency reports was accelerated by a month. The OMB guidance sets deadlines for agency reports for fiscal 2004 at November 15 and for the consolidated report at December 15.

This acceleration is important for two reasons. First, it provides financial information in a much more timely fashion for decision-making. It would be beneficial if the actual results were available before the President's budget is sent to the Congress at the beginning of February. If the actual results were available in December, they would present information that could help in the budget decision-making process.

Second, the acceleration forces business process improvements. When the timeframe is compressed to 45 days after the close of the fiscal year, the books will have to be maintained throughout the year. The audit work will also need to be completed throughout the year. Day-to-day agency records would become available to program managers, providing better and more timely information for decision making and improving management throughout the Government.

Will agencies be able to make these accelerated goals? Some already have. Three agencies, the Social Security Administration (SSA), the U.S. Postal Service, and the Department of the Treasury, had their FY 2002 financial statements with clean opinions completed by November 15, 2002. SSA and the Postal Service have good financial systems and have completed their financial statements earlier than the deadlines for a number of years. Treasury, a complex Department with numerous bureaus, had produced its statements on time, but this year was successful in producing them by November 15. Treasury's success was a case study in communication, coordination and leadership that demonstrates that the accelerated deadlines are achievable.

Consolidated Financial Statements Use Accrual Method

The President's Budget numbers reflect spending as the amount of outlays, or cash paid out each year. Unlike the President's Budget, the Consolidated Financial Statements present the financial condition of the U.S. Government on an accrual basis rather than cash basis. Accruals represent the cost of programs and benefits earned in a given year, but may not be paid out until future years. The impact of these accruals or future promises is significant. The FY 2002 spending of $2 trillion is increased by about $200 billion or 10 percent when accrued costs are considered. This large difference can be attributed to retirement benefits, and health and medical care for retired military and civil service employees.

The largest single recorded liability in the Federal Government is the total of the veterans, civil service, and military's health and pension plans. That liability is approximately $3.6 trillion—somewhat larger than the national debt and largely unfunded. One of the reasons why the public should examine the consolidated financial report is to find out how much Government programs really cost now and will cost in the near future.

Management's Discussion and Analysis – Presenting the "Big Picture"

In the FY 2002 Financial Report, a new section on "Obligations and Commitments" was added to the Management's Discussion and Analysis. Although this information had been included in previous years' reports, it was placed in a separate section up front in the FY 2002 report for emphasis. There are many items that are not Government

Continued Opposite

Summary of Total Governmental Commitments and Assets

Category (In billions of dollars)	**Sept. 30, 2002**
Social insurance commitment	24,149.0
Federal post-retirement liabilities	3,589.4
Federal debt held by the public and accrued interest	3,573.2
Other on-balance sheet liabilities	654.1
Other commitments and contingencies	777.4
Total Governmental obligations	32,743.1
Less balance sheet assets	996.5
Less military equipment (1)	616.0
Total Governmental commitments less Governmental assets (2)	31,130.6
[1] Source: Fiscal Year 2004 Analytical Perspectives, page 37, Defense Fixed Reproducible Capital, Nonfinancial Assets.	
[2] The power to tax is not reflected as an asset.	

Continued from opposite

liabilities, but are obligations or commitments the Government has made. Currently, there are about $7 trillion in recorded liabilities; however, the total for commitments, recorded and promised, is $32.7 trillion. The Government has $1.5 trillion in assets, which results in "liabilities" exceeding assets by $31.1 trillion.

This $31 trillion is principally due to Social Security and Medicare costs. This is an especially significant issue. Some would point to the statute that created Social Security and state that Social Security is an intergenerational transfer program that transfers money from the people who are younger and working to the people who are retired. Therefore the program does not need to be shown as a liability. Others, however, say that the "promised" Social Security payments should be considered a liability because it is a promise made to them by the Government. As evidence of this they point to the annual statements that are sent out by Social Security to participants each year showing what was paid in that year and what the participant will be entitled to receive each month in the future.

There is also a $12.5 trillion liability for Medicare, which is a 25% increase in the $10 trillion Medicare costs only two ago. In ten years, it could be twice the level of Social Security. That will have a huge impact because Medicare is a program where the costs are not determined exclusively by someone's life expectancy, or by a statute, or an inflation rate. The costs in that program are determined by what it costs to make people well. Those costs are projected to go up by a percentage greater than inflation, so the total commitment could become much larger very quickly.

The Future Debate on Social Insurance

The Federal Accounting Standards Advisory Board (FASAB) Statement 17 created the current disclosures for social insurance in the statements. At the time that FASAB Statement 17 was adopted, both the Administration and the Social Security Administration held strong views that the Social Security program was an intergenerational transfer of wealth and should not be recorded and reported as a liability in Government financial statements. There were also strongly held views by "traditional accountants" that said, Social Security is a pension plan and should be recorded as a liability. FASAB recently adopted a new standard with regard to social insurance to move the disclosures up with the footnotes, so the numbers for social insurance would be audited. Although the disclosures will be audited, the number will not be recorded as a liability.

The FASAB will be examining the social insurance issue over the next few years. There are a number of accounting issues and some technical issues of whether the Government's promises constitute a liability that should be recorded. The most significant one is to determine how you account for huge changes in the liability if you change assumptions. In addition, some argue that Medicare is an insurance program and the accounting should be treated somewhat differently. There will be strong opinions on both sides of this issue that will need to be resolved. The notion of establishing generally accepted accounting principles involves everybody. Sometimes the process moves slowly because people need to understand the issue more comprehensively. The outcome of how social insurance is handled will have a major impact on the financial statements.

Summary

The consolidated financial statements of the U.S. Government will grow in importance as they become recognized as a more significant benchmark for the Government's financial condition. Obviously the report needs to be as complete as possible in order to present an accurate view of our Government. Accrual accounting lies at the heart of the report because it presents a more complete picture of cost than traditional receipt and outlay accounting. The report is extremely useful today and will become even more so in the future as our accounting standards and our information evolves.

Recent Hearings on Financial Management

Continued from page 11

identify management changes in order for the General Accounting Office to give the consolidated financial statements a clean opinion in the future, and the relationship between clean statements and financial performance will be key to sustained improvement.

The Subcommittee held a hearing to review the Office of Management and Budget's (OMB) guidelines for the implementation of the Improper Payments Act of 2002. The Act was signed recently into law on November 26, 2002 and identifies strategies agencies should use for preventing erroneous payments. Improper payments occur when a payment is made to an ineligible recipient or for an ineligible service. They also include over and under payments to beneficiaries and duplicative payments. In recent testimony, the Department of Health and Human Services (HHS) shared their plans to identify and reduce their improper payments.

The Improper Payments Act requires Federal agencies to estimate the amount of erroneous or improper payments that their agency makes annually. OMB recently estimated improper payments of approximately $35 billion dollars, and released a memo directing agencies to systematically review and identify all programs and activities susceptible to significant erroneous payments. Agencies must address the risks associated with causing erroneous payments and develop a plan to achieve targeted reductions. The Subcommittee found some agencies are currently in the process of developing infrastructure and procedures to estimate the value of improper payments and reduce their frequency, while other agencies lack internal controls, adequate planning, and follow-up investigation.

For more information concerning the hearings, go to the Committee's website, http://reform.house.gov/.

New OMB Leaders Confirmed

Continued from Page 8

Committee. He was in private law practice and worked in the legal office of the U.S. Department of State. He also served as Executive Assistant to the Director of the Kissinger Commission on Central America.

Mr. Bolten received his B.A. with distinction from Princeton University's Woodrow Wilson School of Public and International Affairs and his J.D. from Stanford Law School.

New OMB Deputy Director Confirmed

On June 11, 2003, the United States Senate confirmed Clay Johnson III as the Deputy Director of Management, Office of Management and Budget (OMB). The Deputy Director for Management provides government-wide leadership to Executive Branch agencies to improve agency and program performance.

In this position, Mr. Johnson will work closely with Federal departments and agencies. He chairs the President's Management Council and numerous other interagency management councils with the responsibility of improving the management of the Executive Branch. He also leads the implementation of the President's Management Agenda, and coordinates all management activities throughout OMB, leading four statutory management offices: Office of Federal Procurement Policy, Office of Federal Financial Management, Office of Information and Regulatory Affairs and the Office of Electronic Government.

Mr. Johnson has served as Assistant to the President for Presidential Personnel since January 2001. In that capacity, he led the organization that identifies and recruits approximately 4000 senior officials, middle management personnel and part-time board and commission members. From 1995 to 2000, he worked with Governor George W. Bush in Austin, first as his Appointments Director and then as his Chief of Staff.

While in Austin, he served on the Advisory Board for the Texas State History Museum, and as an Adjunct Professor at the University of Texas Graduate School of Business. In Dallas, he served as President of the Board of Trustees for St. Marks School of Texas, and as a Board Member of Equitable Bankshares, Goodwill Industries of Dallas, and the Dallas Chapter of the Young Presidents Organization.

Earlier in his career, he was the Chief Operating Officer of the Dallas Museum of Art from 1992 to 1994. He was President of Horchow Mail Order from 1983 to 1988, and then President of Neiman Marcus Mail Order from 1988 to 1991, after Neiman Marcus purchased the Horchow Company. Mr. Johnson also worked for Citicorp in Chicago, Wilson Sporting Goods in Chicago, and Frito Lay in Dallas. He received his undergraduate degree from Yale University and a Masters degree from MIT's Sloan School of Management.

Clay Johnson III, Deputy Director of Management Office of Management and Budget

Seven Federal Agencies Win Certificate of Excellence in Accountability Reporting

The Association of Government Accountants (AGA) recently announced the recipients of the 2003 Certificate of Excellence in Accountability Reporting for outstanding fiscal year 2002 Performance and Accountability Reports. Kudos go to:

Department of the Interior
Department of Labor
Department of State
General Accounting Office
Nuclear Regulatory Commission
Patent and Trademark Office
Social Security Administration

AGA will present the prestigious awards at a ceremony in Washington D.C. held later this summer. To attend this ceremony, contact Lisa Thatcher at lthatcher@agacgfm.org or call (703)684-6931 x 212 for more information.

Contributors to this Issue:

Karen Cleary Alderman .... JFMIP
Stephen Balsam .... JFMIP
Scott Bell .... HHS
Leslee Bollea .... FDIC OIG
Helen Bradwell ....Interior
Marcia Buchanan .... GAO
Mark Carney ....Education
Sally Clark ....Education
Kelvin Coleman .... FAA (EPP)
Wendy Comes ....FASAB
Daniel Costello .... JFMIP
Steven Fisher .... JFMIP
Michael Green .... FDIC OIG
Jack Hufnagle .... GAO
Heather Keister .... Navy (ELP)
Elvon Lloyd ....DoD
Melissa Loughan ....FASAB
Janet McBride .... JFMIP
Jack Martin ....Education
Robert Reid ....Treasury
James Taylor .... Commerce
Louis Vaughns .... USDA (EPP)
Mag Velasquez .... FDIC OIG
Rodney Winn ....DFAS
Bob Wolin ....NOAA

JFMIP

1990 K Street NW
Suite 430
Washington, DC 20006

The JFMIP News is published quarter
by the Joint Financial Managemer
Improvement Program. The purpose of tl
newsletter is to promote sharing an
dissemination of current financi
management information, activities an
practices.

Suggestions and article submissions ar
encouraged and may be sent to JFMI
NEWS - email doris.chew@gsa.gov, fa
202/219-0549.

Editor; Doris A. Chew

Publications Specialist: J. Gordon Dea